

Italy – Textile Flooring

Mixed 2020 preliminary results

18th March 2021

2020 PRELIMINARY RESULTS

RIC: RADIC.MI
BBG: RAD IM

FY-20 revenues came in slightly better than expectations whilst margins were affected by a few on-offs occurred in Q4-20. Medium-/long-term company guidance might be updated when FY-20 results are released next 31-Mar.

Rating:

Buy

Price Target:

€ 2.90

Upside/(Downside): 59.3%

Last Price: € 1.82

Market Cap.: € 15.9m

1Y High/Low: € 2.12 / € 1.24

Free Float: 24.1%

Major shareholders:

MRFoC	69.9%
Radici Family	6.0%



Stock price performance

	1M	3M	12M
Absolute	-5.0%	15.2%	15.2%
Rel.to AIM Italia	-7.3%	-1.3%	-20.4%
Rel.to Peers median	-13.3%	-14.5%	-62.0%

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€ m	Prel. 2020	2019PF	% YoY	BP	% diff.	2020e	% diff.
Total Revenues	43.1	59.4	(27.5)	41.0	5.1	40.5	6.3
EBITDA	0.5	6.8	(92.6)	1.4	(64.3)	1.4	(64.2)
% margin	1.2	11.4		3.4		3.4	
EBITDA adjusted	1.2	6.8	(82.3)	1.4	(14.3)	1.4	(14.1)
% margin	2.8	11.4		3.4		3.4	
Net Profit	(0.9)	5.6	n.m.	(2.3)	59.6	(2.2)	57.8
% margin	n.m.	9.4		n.m.		n.m.	
Capex	2.2	4.1	(46.5)	1.5	46.7	2.0	10.0
NFP (Cash) *	19.9	18.8	6.0	18.9	5.3	19.1	4.3

Source: company data, CFO SIM estimates *adjusted figure for 2019PF

Mixed preliminary results, affected by a few negative one-offs

The company reported unaudited preliminary FY-20 figures: top line was slightly higher than our expectation whilst margins suffered from a few one-offs. When FY-20 are released next 31-Mar, the group might update its 21-23 guidance. In the meantime, we maintain our assumptions unchanged. In 2020, revenues were down by 27.5% to € 43.1m, up 5.1% and 6.3% compared to the company's guidance and CFO SIM's estimate, respectively. The figure confirmed the trend announced as H1-20 results were released, when revenues were down by 36.0% but came in 10% higher than company's budget. We believe the Automotive segment, mainly in the US, and the increasing demand for artificial turf drove the beat in estimate.

EBITDA affected by a few negative one-off items

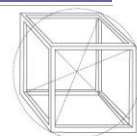
Reported EBITDA totalled € 0.5m vs. € 1.4m anticipated by the company's business plan and CFO SIM's projection. EBITDA was affected by certain one-off negative events occurred in Q4-20: 1) unfavourable EUR/USD exchange rate impacting top line; 2) a few settlement agreements with some leading customers, with the aim of strengthening and consolidating the existing commercial relationships; 3) the decline in inventory valuation due to the decrease in the purchase price of raw materials in Q4. EBITDA adjusted for the aforementioned extraordinary items was € 1.2m, lower than our € 1.4m forecast.

Bottom line sustained by D&A suspension and NFP broadly in line

Net profit was negative for € 0.93m, better than the € 2.3m and € 2.2m losses projected by company guidance and CFO SIM respectively, mainly as a result of FY-20 D&A being suspended by Italian law n. 126 of 13 October 2020 issued to sustain firms impacted by the pandemic. Net Financial Position stood at € 19.9m, vs our € 19.1m forecast as a result of higher-than-expected CAPEX at € 2.2m vs our € 2.0m projection. Therefore, cash flow generation is broadly in line with our expectations.

Radici Pietro, key financials and ratios

€ m	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.5	56.9	64.5
EBITDA	4.6	6.8	1.4	4.8	6.2
EBIT	1.9	4.0	(1.8)	1.7	3.1
Net profit	1.4	5.6	(2.2)	1.0	2.3
NFP (cash)/debt	29.7	22.0	19.1	20.8	20.4
EBITDA margin	7.7%	11.4%	3.4%	8.4%	9.6%
EBIT margin	3.1%	6.7%	-4.3%	3.0%	4.8%
EPS €	0.16	0.64	(0.25)	0.11	0.27
EPS growth	27.5%	293.5%	-139.5%	144.6%	135.4%
Free Cash Flow Yield	-	4.0%	1.1%	-10.7%	2.3%
PER x	-	3.9	neg.	16.1	6.9
PCF x	-	2.6	15.1	3.9	2.9
EV/Sales x	-	0.74	0.82	0.64	0.56
EV/EBITDA x	-	6.5	23.9	7.7	5.8
EV/EBIT x	-	11.0	neg.	21.6	11.8



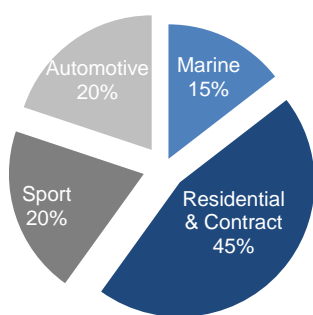
The Company at a Glance

Founded in 1950 in Cazzano Sant'Andrea, close to Bergamo (Italy), Radici Pietro is a leading international player in the textile flooring market. It designs, manufactures and sells high-end carpet floorings, artificial turfs and non-woven fabrics, all of which chiefly custom-made. The group operates three production plants, two in Italy and one in Hungary, and four commercial branches worldwide, managing the entire value chain, from the processing of raw materials to the production of finished goods, including quality control, testing and distribution. Radici Pietro covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

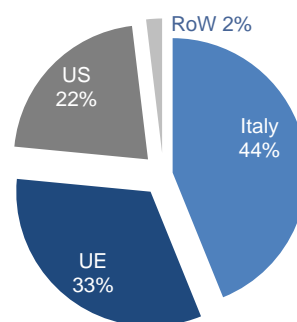
The group's global export sales are 56% of total revenues. 45% of turnover comes from the Residential & Contract segment, 20% from Sport, 20% from Automotive and 15% from Marine. In terms of products, tufting accounts for 39%, non-woven for 18%, artificial turf for 15% and weaving for 13%, while the remaining 15% comes from marketed items.

Radici Pietro has been showing a good growth path since the current management team took over in 2012: 7.9% turnover CAGR in the 2012-2019 period, entirely organic. In 2019, pro forma revenues were € 59.4m, EBITDA reached € 6.8m (11.4% margin) and Net Profit totalled € 5.6m. Net Financial Position was € 22.0m.

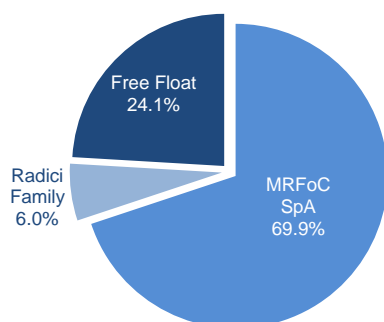
2019PF breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

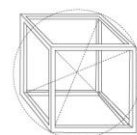
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	1.1	(2.0)	(0.9)	20.6	42.5	12.4
Balta Group NV	(0.4)	2.3	9.1	38.9	153.8	20.0
Interface Inc	(0.7)	3.4	22.6	43.6	90.9	31.4
Mohawk Industries Inc	1.7	0.5	10.4	40.2	85.4	31.9
Somec SpA	0.0	(0.9)	1.9	27.4	44.6	19.9
Tarkett SA	0.9	(1.0)	(13.3)	(11.4)	37.7	(8.3)
Victoria PLC	1.8	1.8	8.4	29.7	153.2	22.7
Median	0.9	0.5	8.4	29.7	85.4	20.0
Radici Pietro SpA	1.7	(0.3)	(5.0)	15.2	31.9	(13.3)

Source: Thomson Reuters Eikon

Peer group multiples table

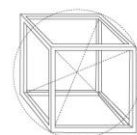
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.87	0.74	6.3	5.1	21.6	13.0	neg.	12.6
Balta Group NV	0.61	0.57	4.8	4.3	10.5	8.5	neg.	9.0
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.6	12.4
Mohawk Industries Inc	1.34	1.24	8.2	7.4	12.5	11.0	15.5	14.3
Somec SpA	0.88	0.69	10.2	7.0	24.3	12.1	36.7	16.3
Tarkett SA	0.47	0.42	4.5	3.8	10.6	7.9	12.2	8.8
Victoria PLC	2.13	1.83	13.0	10.5	24.0	16.7	47.8	29.1
Median	0.88	0.72	7.2	6.0	17.0	11.6	15.6	12.6
Radici Pietro SpA	0.86	0.64	25.0	7.7	neg.	21.6	neg.	16.1

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.5	56.9	64.5
Value of Production	62.1	63.9	38.8	57.4	65.8
Raw material and processing	(31.2)	(30.5)	(17.1)	(27.6)	(31.6)
Services	(15.5)	(16.0)	(11.6)	(14.4)	(16.5)
Personnel expenses	(9.4)	(9.3)	(7.9)	(9.6)	(10.2)
Other opex	(1.2)	(1.3)	(0.8)	(1.1)	(1.3)
EBITDA	4.6	6.8	1.4	4.8	6.2
D&A	(2.8)	(2.8)	(3.2)	(3.1)	(3.1)
EBIT	1.9	4.0	(1.8)	1.7	3.1
Financials	(0.4)	2.0	(0.7)	(0.7)	(0.7)
Re/(Devaluation) of financial assets	(0.0)	(0.3)	0.3	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.5	5.8	(2.1)	1.0	2.4
Income taxes	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.4	5.6	(2.2)	1.0	2.3
Net Profit adj.	1.4	5.6	(2.2)	1.0	2.3
Balance sheet (€ m)	2018PF	2019PF	2020e	2021e	2022e
Net Working Capital	20.0	23.2	20.8	23.7	25.8
Net Fixed Assets	34.4	34.2	33.1	34.0	34.3
Equity Investments	1.3	0.0	0.0	0.0	0.0
Other M/L Term A/L	(1.8)	(1.6)	(3.2)	(4.4)	(4.9)
Net Invested Capital	54.0	55.8	50.7	53.3	55.3
Net Financial Position	29.7	22.0	19.1	20.8	20.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	24.3	33.8	31.6	32.6	34.9
Financial Liabilities & Equity	54.0	55.8	50.7	53.3	55.3
Cash Flow statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total net income	1.4	5.6	(2.2)	1.0	2.3
Depreciation	2.8	2.8	3.2	3.1	3.1
Other non-cash charges	2.9	(0.4)	(1.2)	1.2	0.5
Cash Flow from Oper. (CFO)	7.1	8.0	(0.3)	5.2	5.9
Change in NWC	(2.6)	(3.2)	2.4	(2.9)	(2.1)
FCF from Operations (FCFO)	4.5	4.7	2.2	2.3	3.9
Net Investments (CFI)	(2.2)	(7.3)	1.2	(4.0)	(3.5)
Free CF to the Firm (FCFF)	2.2	(2.5)	3.3	(1.7)	0.4
CF from financials (CFF)	(2.9)	5.2	(2.9)	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	(0.6)	2.7	0.4	(1.7)	0.4
Financial ratios	2018PF	2019PF	2020e	2021e	2022e
EBITDA margin	7.7%	11.4%	3.4%	8.4%	9.6%
EBIT margin	3.1%	6.7%	-4.3%	3.0%	4.8%
Net profit margin	2.4%	9.4%	-5.4%	1.7%	3.6%
Tax rate	4.4%	2.9%	-4.5%	4.5%	4.5%
Op NWC/Sales	32.2%	36.4%	53.6%	41.3%	39.2%
Interest coverage x	0.19	(0.51)	(0.37)	0.39	0.21
Net Debt/EBITDA x	6.42	3.25	13.66	4.35	3.29
Debt-to-Equity x	1.22	0.65	0.60	0.64	0.59
ROIC	2.6%	10.0%	-4.4%	1.8%	4.2%
ROCE	3.0%	5.8%	-3.0%	2.8%	4.8%
ROACE	3.1%	6.1%	-2.8%	2.8%	4.9%
ROE	5.8%	16.5%	-7.0%	3.0%	6.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018PF	2019PF	2020e	2021e	2022e
Number of shares # m	8.62	8.62	8.62	8.62	8.62
Number of shares Fully Diluted # m	8.62	9.92	9.92	9.92	9.92
Average Number of shares Fully Diluted # m	8.62	9.27	9.92	9.92	9.92
EPS stated €	0.16	0.65	(0.26)	0.11	0.27
EPS adjusted €	0.16	0.65	(0.26)	0.11	0.27
EBITDA €	0.54	0.79	0.16	0.55	0.72
EBIT €	0.22	0.46	(0.20)	0.20	0.36
BV €	2.82	3.92	3.66	3.78	4.05
FCFO €	0.52	0.55	0.25	0.27	0.45
FCFF €	0.26	(0.29)	0.39	(0.20)	0.04
FCFE €	(0.07)	0.31	0.05	(0.20)	0.04
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

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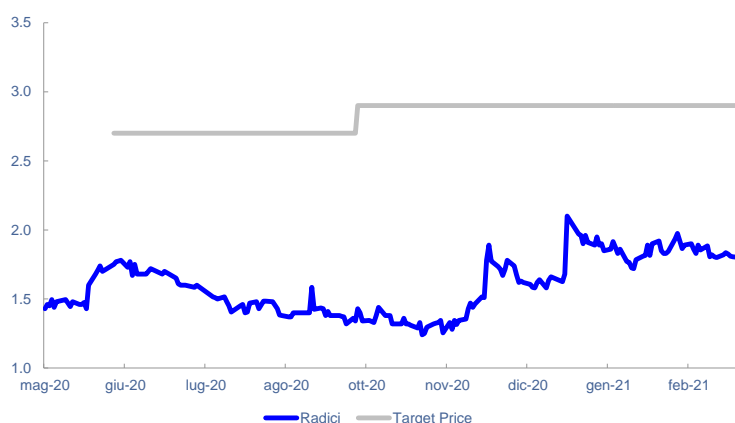
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DATE	TARGET PRICE	RATING
18/03/2021	€2.90	BUY
30/09/2020	€2.90	BUY
16/06/2020	€2.70	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

